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**ASX RELEASE**

Company Announcements Platform

## **Zebit FY20 Full Year Financial Results – Outperforms Prospectus Forecast**

### **Highlights**

U.S. eCommerce disruptor Zebit, Inc. (ASX: ZBT, Zebit or the Company) posted strong results across key financial metrics for FY20. Zebit reported revenue which exceeded Prospectus forecast, significantly higher contribution margin<sup>1</sup> vs the prior corresponding period (pcp), lower bad debts vs pcp and improved net loss. All numbers are expressed in U.S. dollars unless otherwise noted.

- A\$35m fully underwritten IPO completed in October 2020;
- Revenue of \$87.7m, up 6.7% or \$5.5m vs Prospectus forecast;
- Contribution Margin of 15.8%, up 350bp vs Prospectus forecast;
- Bad Debts of 10.5%, improvement of 440bp vs Prospectus forecast;
- EBITDA loss of \$3.7m, improvement of 51.4% or \$3.9m vs Prospectus forecast;
- Net loss after tax of \$7.4m, improvement of 34.2% or \$3.9m vs Prospectus forecast
- Average Active Customer Monthly Spend<sup>2</sup> of \$410, up 9.3% or \$35 vs Prospectus forecast;
- Zebit reiterates its remaining 1H FY21 Prospectus forecast.

The results highlight a strong FY20 for the Company, outperforming the Prospectus forecast across multiple measures. Marc Schneider, Zebit's Founder and CEO commented, *"We are proud of the results delivered today which exceeded our Prospectus guidance in terms of revenue, contribution margin, and net income. At IPO, Zebit brought a clear and differentiated investment thesis to the market that supported our mission of providing access to underserved consumers. The thesis included the following dimensions:*

- (a) *Massive untapped market of 120m credit deprived consumers;*
- (b) *History of recurring high growth;*

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<sup>1</sup> "Contribution Margin" is Gross Margin less Bad Debt Reserve. "Gross Margin" is the dollar margin, reflected as a percentage, between the price at which Zebit sources a product and the price Zebit charges its customer for the product including shipping margin and all dropship fees and adjustments. "Bad Debt Reserve" is the proportion of bad debt Zebit expects to take for historical outstanding sales. Refer to Section 6.2.4 of Zebit's prospectus for further information.

<sup>2</sup> "Average Monthly Spend per Active Customer" is calculated as the average order value multiplied by the average number of orders per month made by an active customer

(c) Differentiated eCommerce operating model based on cutting edge technology to identify and control credit risk;

(d) Management team that has experience scaling a business in the most economic manner possible. The results backstop our investors' confidence in Zebit and we thank them for their continued support. We also thank our customers who continue to exhibit loyalty and generate long-tail LTV for the Company. In fact, approximately 80% of our revenue in FY20 came from repeat purchases with our active customers now spending \$410/month, up ~10% versus 2019. Their satisfaction with Zebit is clear. We are confident going into FY21 and will continue to transparently communicate and engage with the Australian market on the extraordinary value and upside of Zebit's unique business model and strong operational execution against our strategy."

## Business Update

Zebit completed a A\$35m IPO on the ASX in late October 2020. This was five months later than originally envisaged due to the impact of Covid-19 on global capital markets. The capital provided from the IPO continues to be deployed to scale the business, add ongoing enhancements to our bespoke e-commerce and credit platform, and to expand our senior executive team.

Due to the delayed IPO and market uncertainty related to Covid-19, management deliberately constrained growth for several months during FY20 to preserve Zebit's capital. Specifically, the Company was much more selective in its underwriting criteria related to customer acquisition and taking new orders during Q2 and Q3 FY20. These operational tactics resulted in a greater mix of orders from tenured customers on the platform which increased the overall quality of booked revenue.

With the continued development of enhanced proprietary credit decision models and predictive analytics coupled with confidence in Zebit's pending IPO, management released its Covid-19 growth constraints. This resulted in an acceleration in orders and new customers for the remaining part of the calendar year.

Q4 contains well known key sales events for consumers, namely the Black Friday / Cyber Monday sales as well as Christmas trading. Zebit realized accelerated momentum with Q4 FY20 Revenue of \$44.2m up by 34.2% or \$11.3m vs Q4 FY19 whilst Revenue for Dec 2020 was up 51.0% or \$7.7m vs Dec 2019.

## FY20 Key Metrics

	<b>FY20</b>	<b>FY19</b>	<b>Change</b>
<b>Revenue</b>	\$87.7m	\$85.5m	<b>+2.5%</b>
<b>Gross Margin</b>	26.3%	25.8%	<b>+50bp</b>
<b>Contribution Margin</b>	15.8%	8.4%	<b>+740bp</b>
<b>Bad Debts Provision</b>	10.5%	17.4%	<b>-690bp</b>
<b>EBITDA</b>	(\$3.7m)	(\$10.6m)	<b>+\$6.9m</b>
<b>Net Loss after Tax</b>	(\$7.4m)	(\$12.4m)	<b>+\$5.0m</b>

## Funding Position

Zebit ended the year in a strong capital position, raising A\$35m via the IPO, cash and equivalents at 31 December 2020 were \$22.4m. The substantial IPO equity capital, as well as the recently announced upsized \$35.0m lending facility provided by Bastion Funding in February 2021, will support the Company's ongoing growth trajectory.

## Outlook for FY21

The impact of Covid-19 on consumers in the U.S. has reinforced the overwhelming need for Zebit's value proposition for 120m credit challenged consumers. As Zebit looks to FY21, the Company reiterates its confidence in achieving the remaining Prospectus forecasts for 1H FY21. The Company's growth ambitions for 2021 and beyond are underpinned by its robust capital position which will allow Zebit to expand its reach and provide more consumers access to pay for their purchases over time.

Key growth initiatives for FY21 to support continued growth include:

- **Customer Acquisition:** Implement B2B affiliate platform and expand partnerships
- **Optimisations:** Optimise registration and underwriting flow to maximize approvals
- **Credit Data and Modeling:** Test and incorporate new data sources to upgrade credit models
- **Price Testing:** Explore alternate price strategies, deepen product assortment, and diversify product transportation methods
- **New Strategic Hires:** Hire a Chief Operating Officer, Chief Product Officer and other key management team members
- **Evaluate New Adjacent Products:** Zebit for prime credit customers

This announcement was approved for release by Zebit Inc's Board.

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## About Zebit Inc.

Zebit is a California based eCommerce company dedicated to changing the lives of over 120 million U.S. credit-challenged consumers by giving them access to a broad set of products and the ability to pay for those products in instalments over six months with no predatory late fees or interest charges. Zebit's mission is to make online shopping inclusive of everyone, regardless of their financial history. The Company's unique business model and cutting-edge underwriting offer a one-stop shopping experience to this untapped and growing consumer base. Zebit was founded in 2015 and operates in all 50 States across the U.S. For more information visit [www.zebit.com](http://www.zebit.com).

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